

## Indiana Home Energy Conservation

### Program Guidance WX-10-01A (2.9.11 revisions are in Red)

**Background:** The expansion of the Weatherization program over the past two years has brought additional funding from ARRA, a diversity of sub-grantees, a variety of accounting methods, software and backup documentation, additional scrutiny by Federal and State entities and an internal review by IHCDa accounting staff. Recent visits by the Department of Energy, Office of Inspector General and an internal accounting review by IHCDa have each referenced inconsistencies in Weatherization's current claims processing system with inadequate and inconsistent backup documentation. Currently all three Weatherization grant funding sources submit claims online through the IHCDaonline claims system. A paper receipt is printed, signed, attached to backup documentation and mailed to IHCDa for final processing and payment. Future plans call for continued use of the online claims system with the use of scanned signed receipts and scanned backup documentation sent online (paperless online claims).

**Policy:** As IHCDa Weatherization prepares to accept paperless online claims, this guidance will address three topics: 1) standard methods for all sub-grantees to submit consistent, acceptable, standardized backup documentation; 2) acceptable copies of signatures to submit with paperless claims; and 3) procedures to submit a completely paperless claim through <https://IHCDaonline.com>

#### Back Up Documentation

Due to the variety of backup documentation submitted, questions by regulatory agencies and an absence of an official policy, this section will outline acceptable backup documentation required for all Weatherization grant claims submitted after the effective date of this guidance. The following two citations are the basis for the new backup documentation requirements.

10 CFR 600 – Subpart C - Section 600.220 (a)

*A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to—*

*(1) Permit preparation of reports required by this part and the statutes authorizing the grant, and*

*(2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.*

10 CFR 600 – Subpart C - Section 600.220 (b)(6) Standards for financial management systems.

*Source Documentation. Accounting records must be supported by such source documentation such as canceled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.*

Currently accepted backup documentation requirements fulfill these requirements but IHCD A must begin to trace funds to the expenditure level at our offices with source documents rather than at sub-grantee's offices during monitoring visits. Therefore, new backup documentation will be required by all weatherization sub-grantees after December 1, 2010. The following documentation will be acceptable to submit as backup documentation for a claim:

1. Contractor invoices;
2. Bills and/or receipts from service providers (such as accounting, IT, etc)
3. Receipts for purchases from stores;
4. Receipts for purchases from Centralized Purchasing;
5. Payroll records detailed the employee name;
6. Timecards; and
7. General ledger for overhead or administration costs which are allocated based on an approved cost allocation plan. **Costs identified on the general ledger should reflect the cost allocated amount being claimed.**
8. **Level I Required Backup Documentation - A detailed general ledger or expense report for all costs charged to the grant under each budget line item where backup invoices, receipts and timecards have been reduced. This report must be detailed by each individual charge and must show date of the transaction, vendor name, invoice number and amount charged.**

#### Review for Level of Required Backup Documentation

As sub-grantees demonstrate the ability to provide quality, accurate claims and backup documentation, IHCD A will relax the above rules. This will be determined by IHCD A staff through a review of recently submitted claims. Those sub-grantees who have consistently been providing the above required documentation will be the first reviewed.

Sub grantee claims submitted through April 15, 2011 will have at least two (2) claims reviewed by IHCD A staff for:

- a. **Completeness-** Appropriate backup documentation was provided in its entirety upon initial submission.
- b. **Accuracy-** Invoices provided match up to costs charged to the grant. Costs identified on a general ledger match up with claimed amounts and invoices.
- c. **Appropriateness of charges-** All charges are allowable per OMB circulars and line item restrictions. Additionally, cost allocated charges have an identifiable base and can be reconciled against current cost allocation.

If a sub grantee is able to provide successive complete, accurate, and appropriate claims for DOE funded projects, IHCD A will relax the supporting documentation requirements for those sub-grantees.

By April 15, 2011 all DOE funded sub-grantees will be reviewed and designated as Level I or Level II for required backup documentation. These levels are identified as follows:

**Level I** - Sub grantee must continue to follow the above guidelines and submit detailed backup documentation; and

**Level II** - Sub grantees will be allowed to submit less rigorous backup documentation with each successive claim. Backup documentation requirements 1, 2, 3, 4, and 6 as identified above will be relaxed. Copies of invoices associated with these charges will be not required. Agencies will still be required to show via a detailed general ledger or expense report costs being charged to the grant by vendor with detail to identify the date of the transaction, vendor name, amount and invoice number covered by the charge.

IHCDA staff will review claims now through April 15, 2011 and notify sub grantees of their Level of required supporting documentation no later than April 16, 2011. Please note that this level of review will take some time and grantees can expect a slightly longer turnaround time on claims until each sub grantee has been reviewed.

This review will not be ongoing. If a sub grantee is designated a Level I and wishes to have future claims reviewed to update their status, a written request via email or mail must be submitted to request a new review. This process will not begin again until at least July 1, 2011. Those designated as Level I will be notified of issues with claims during the review process.

If a sub grantee does not submit 2 successive claims for reimbursement on DOE funded projects by April 15, 2011, IHCDA may consider reviewing LIHEAP weatherization claims as an alternative, or may extend the review period until a second DOE claim is submitted.

#### **Acceptable Signatures**

Original signatures have been required for all claims, grant agreements, budget modification forms and close out forms. In reviewing DOE guidelines (10 CFR 600.242(d)), IHCDA is allowed to accept a photocopy signature for claim forms. DOE regulations does not extend this option to IHCDA so sub-grantees are required to retain the originally, signed claim form along with back up documentation in a hard copy, paper file for the required retention period.

This DOE guidance to accept a photocopy signature only applies to claim forms. The State of Indiana requires grant agreements and all affiliated forms (original budgets, budget modification forms and close out forms) to bear the original signature in hard copy form.

For all forms and agreements, the signature must by one of the sub-grantees "Authorized Signatures" as notarized and approved on IHCDA Authorized Signature Form. If the person approved as the sub-grantee's authorized signature leaves or become ineligible to represent

the organization, a new form must be submitted and approved before the person's signature can be accepted on the forms and the form is processed.

The required retention period is outlined in 10 CFR 600.242(a) and (b) requires that financial and programmatic records, supporting documents and statistical records must be retained for three years after the last expenditure report is submitted. If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.

#### Procedures to Submit Paperless Claims

As of the effective date of this guidance, all weatherization grant claims must be submitted completely online. Paperless claims will be submitted online at <https://IHCDOnline.com> and follow the attached "Claims Management User Guide" updated as of 11/15/2010.

As of February 28, 2011, all claims and supporting documentation must be submitted through <https://IHCDOnline.com> for all weatherization grants. Claims will no longer be reviewed unless properly submitted after that date.

When submitting scanned claim forms and backup documentation online, please use the following format suggestions to insure successful submission. All scanned files should be formatted and/or scanned as follows:

1. PDF file;
2. black and white
3. low resolution;
4. 150DPI;
5. file size= small;
6. Multiple uploads may still be required and are acceptable for an individual claim. To insure all backup documentation is identified with your claim, name successive backup documentations by your grant and claim number. Upload all PDFs for a claim on the same submission.
7. Files no larger than 10MB ~80-100 pages per PDF.

**Effective Date:** ***December 1, 2010*** for all Weatherization grant claims funded by ARRA, DOE, LIHEAP and SERC funds. **Updated guidelines effective February 9, 2011.**